

Dear Sir/Madam:

Attached for your review and comment is a draft policy regarding the granting of explicit State Implementation Plan (SIP) credits for voluntary stationary source emission reduction programs. We believe that voluntary programs have the potential to provide, in a cost-effective manner, emission reductions needed for progress toward attainment and maintenance of the National Ambient Air Quality Standards (NAAQS).

As you are probably aware, the Environmental Protection Agency (EPA) issued guidance in October 1997 regarding incorporating voluntary mobile source emission reduction measures into SIPs. The attached draft stationary source voluntary measures policy is built on many of the concepts applied in the mobile source policy, but is also separate and distinct from the mobile source voluntary measures policy. It does not alter in any way the mobile source voluntary measures program.

We request your comments on any aspect of the draft policy, including where it needs to be clarified and any additional information needed to make it more effective. However, we are particularly interested in your comments on the following policy elements:

Limitation on the Percentage of Total Emission Reductions Eligible to Be Obtained from Stationary Source Voluntary Measures (the “Cap”)

The draft policy would cap the SIP credits allowed for stationary source voluntary measures at 3% of the total emission reductions needed for Rate of Progress (ROP), Reasonable Further Progress (RFP), attainment demonstration or maintenance requirements. As an example, if an area needs reductions of 200 tons per day (tpd) of NO<sub>x</sub> and 100 tpd of VOC in order to demonstrate attainment with the 1-hour ozone air quality standard, then SIP credits could be granted for stationary source voluntary measures that result in up to 6 tpd of NO<sub>x</sub> emission reductions and 3 tpd of VOC emission reductions. Similarly, if an area needed a VOC reduction of 50 tpd to satisfy a reasonable further progress requirement then SIP credits could be allowed for up to 1.5 tpd of VOC reductions resulting from stationary source voluntary measures.

The mobile source voluntary measures program also applies a 3% cap to SIP credit for mobile source voluntary measures. The stationary source voluntary measures cap would be separate and distinct from the mobile source cap. If each program's cap was to be fully used, an area could have 6% of its requirements met by voluntary measures.

We are interested in receiving comments on the size of the cap - whether commenters believe the cap is insufficient to meet potential demand, or if it is too large given the untested nature of this program. We are also interested in comments on how a cap could be applied to a maintenance program. Since these areas are already in attainment, there is no target of emission reductions that the cap can be applied to. Is a cap appropriate for maintenance plans? If so, how should it be applied?

#### Some Stationary Sources are Excluded from the Policy

Where nonattainment problems are strongly affected by one source or a small group of sources, the draft policy would exclude those sources from participating in the voluntary measures program. In such cases, we believe that emission reductions for such sources should be directly enforceable against the source or sources. The types of SIPs where this is most likely to occur are Lead and SO<sub>2</sub> nonattainment areas, but could also occur in certain PM and CO areas as well. We would not envision this exclusion being used in an ozone SIP where many large, small and mobile sources contribute to the problem. We are interested in comments as to whether this approach is appropriate and whether additional guidance is necessary to effectively implement this aspect of the policy.

A related series of questions is whether any sources which are currently regulated under one or more titles of the CAA should be allowed to participate in this voluntary measures policy and, if so, what types of emission points could be covered under voluntary programs. For example, if an emission point at a source is currently regulated, but the facility decides to change its operations to install a new technology that either creates less pollution or achieves a much higher emission reduction control efficiency than the current technology being used, should it be allowed to commit the delta in emissions as a voluntary, i.e. not enforceable, measure? Should sources only be allowed to apply voluntary measures to emission points that are not currently regulated?

#### Whether Episodic Controls Can be Allowed for Stationary Source Voluntary Measures

Section 123 of the Clean Air Act prohibits the use of dispersion techniques to affect SIP emission limitations for stationary sources. The Act defines dispersion techniques to include intermittent or supplemental control of air pollutants varying with atmospheric conditions. Because of this limitation, we would preclude the use of episodic activities for stationary sources under the voluntary measures program. Episodic programs include activities such as Ozone Action Day program requirements which are intermittent and only apply in times of high ozone conditions. This prohibition would apply to intermittent programs aimed at traditional stationary sources, but does not apply to retail or consumer type actions (e.g., no hair spray days or no burn days) that do not meet the definition of stationary sources as applied to section 123. We are interested in comments on the impact of this prohibition and on whether there are appropriate ways to increase the use of episodic controls without conflicting with the policies underlying the CAA section 123 prohibition.

### Time Periods for Program Evaluation and Remedying of Shortfalls

The purpose of this guidance is to discuss how EPA intends to allow SIP credit for voluntary actions. Because we have very little experience with this type of program, in implementing it we will need to determine if the emission reductions that are credited are actually occurring. This requires a program evaluation by the State to validate the credits. The evaluation needs to be done as quickly as possible.

The draft policy would allow a State up to 18 months to perform the initial evaluation of the effectiveness of voluntary measures. This is based on running the program for a year with an additional six months to do the analysis of the program. In addition, if a State finds that there is a shortfall between predicted and actual emission reductions, the State would need to correct the shortfall as quickly as possible (within a year if no State rulemaking is required or 2 years if rulemaking is required). We are interested in comments regarding whether this time frame to verify and correct shortfalls is too long to leave unsubstantiated credits in the SIP or too short to credibly accomplish these activities.

### Who should we target the policy to?

We are also asking comment on the types of operations (industry, business or consumer) that may be interested in using this policy. Who should this policy be targeted to? Major sources? Area sources? Consumers? Who would be most likely to participate or not participate. For instance, since all credits generated under the voluntary measures program would go to the State to reduce any SIP demonstration needs, would a major source even be likely to participate in the voluntary measures program since it could not use any credits generated ( e.g., for new source review offsets or trading purposes)? How should this program be advertised? How can it be made more attractive?

Thank you for your review of this draft policy. Please provide your comments to Jack Edwardson, Associate Director, Air Quality Strategies and Standards Division, of my staff by July 14, 2000. Jack's address is US EPA, Mail Drop 15, Research Triangle Park, North Carolina 27711. His e-mail address is edwardson.jack@epa.gov and his telephone number is 919-541-4003. Thank you for your assistance in helping us to prepare guidance that will assist States in developing cost-effective programs to attain and maintain the NAAQS.

Sincerely,

John S. Seitz  
Director  
Office of Air Quality Planning  
and Standards

Enclosure

Addressee List

Mr. William Auberle  
Associate Professor  
Civil/Environmental Engineering  
Northern Arizona University  
P.O. Box 15600  
Flagstaff, Arizona 86011-1560

Mr. Richard Ayres  
Howrey and Simon  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

Ms. Elaine Barron Mowinski  
Joint Advisory Committee  
Paso Del Norte Air Quality  
Sierra Providence Eastside Center  
2400 Trawood Suite 204  
El Paso, Texas 79936

Mr. Bill Becker  
STAPPA/ALAPCO  
444 North Capitol Street, NW #307  
Washington, DC 20001

Mr. Charles Blackwell  
Director  
Native Affairs and Development Group  
230 E. Capital Street NE  
Washington, DC 20003

Mr. Michael Bradley  
President  
M. J. Bradley Associates, Inc.  
47 Junction Square Drive  
Concord, Massachusetts 01742

Mr. Bunyan Bryant  
Professor  
School of Natural Resources and Environment  
The University of Michigan  
430 E. University Ave. Rm 2032 - Dana Building  
Ann Arbor, Michigan 48109-1115

Mr. Robert Campbell, Robert  
Chairman, President & Chief Executive Officer  
Sun Company, Inc.  
1801 Market Street  
Philadelphia, Pennsylvania 19103-1699

Mr. Frank Cassidy  
President and Chief Operating Officer  
PSEG Power LLC  
80 Park Plaza - 24<sup>th</sup> Floor  
Newark, New Jersey 07102

Mr. Don Clay  
Director, Regulatory Affairs  
Koch Industries, Inc.  
1450 G. Street NW - Suite 445  
Washington, D.C. 20005-2001

Mr. Chuck Collett  
National Association of Home Builders  
Crowe Thomas Group  
404 North West Bank Tower  
Bettendors, Iowa 52722

Ms. Jo Cooper  
President  
Alliance of Automobile Manufacturers  
1401 H. Street, SW - Suite 900  
Washington, DC 20005

Mr. Ben Cooper, Ben  
Senior Vice President for Governmental Affairs  
Printing Industries of America  
100 Daingerfield Road  
Alexandria, Virginia 22314

Mr. George Davidson  
Chairman and Chief Executive Officer  
Consolidated Natural Gas Company  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, Pennsylvania 15222-3199

Ms. Jane L. Delgado  
President and Chief Executive Officer  
The National Alliance for Hispanic Health  
1501 Sixteenth Street, NW  
Washington, DC 20036

Mr. Anthony John DeLucia  
American Lung Association  
Box 70, 575  
James H. Quillen College of Medicine  
Johnson City, Tennessee 37614-0575

Mr. Tony Earl  
Wisconsin Center for Clean Air Policy  
c/o Quarles and Brady  
P.O. Box 2113  
Madison, Wisconsin 53701-2113

Mr. Robert Ecklin  
Senior Vice President  
Corning Incorporated HP C9-5  
Corning, New York 14831

Mr. Larry Feldcamp  
Baker & Botts, L.L.P.  
3000 One Shell Plaza  
910 Louisiana Street  
Houston, Texas 77002

The Honorable Brian Frosh  
United States Senate  
State of Maryland  
Annapolis, Maryland 21401

Ms. Mary Gade  
Sonnenschein, Nath & Rosenthal  
8000 Sears Tower  
Chicago Illinois 60606-6404

Mr. Michel Gelobter  
Assistant Professor  
Department of Public Administration  
Rutgers University  
714 Hill Hall  
Newark, New Jersey 07102

Mr. Steve Gerritson  
Environmental Consulting  
Washington Sierra Club  
11016 NE 164th Place  
Bothell, Washington 98011

Mr. William Goldsmith  
Professor of City and Regional Planning  
Cornell University  
West Sibley Hall  
Ithaca, New York 14853

Mr. Charles Goodman  
Vice President  
Southern Company Generation  
Post Office Box 2641/14N-8195  
Birmingham, Alabama 35291-1495

Mr. Daniel Greenbaum  
President  
Health Effects Institute  
955 Massachusetts Avenue  
Cambridge, Massachusetts 02139

Mr. David Hawkins  
Senior Attorney  
Natural Resources Defense Council  
1200 New York Avenue NW - Suite 400  
Washington, DC 20005

Ms. Shelley Hearne  
Executive Director  
The Pew Environmental Health Commission  
111 Market Place - Suite 850  
Baltimore, Maryland 21202

Mr. Ben Henneke  
President  
Clean Air Action Corporation  
6505 Clagett Avenue,  
Tracys Landing, Maryland 20779

Mr. G. Alex Johnson  
Associate Director  
Delta Institute  
53 West Jackson Boulevard - Suite 1604  
Chicago, Illinois 60604

Mr. Peter Jonker  
Director, Environment and Safety  
Sempra Energy  
101 Ash Street - HQ5D  
San Diego, California 92101-3017

Mr. Carter Keithley  
President  
Hearth Products Association  
1601 North Kent Street - Suite 1001  
Arlington, Virginia 22209

Ms. Anne Keys Kennedy  
Deputy Under Secretary  
U.S. Department of Agriculture  
1400 Independence Avenue SW - Room 217E  
Washington, DC 20250

Mr. Mike Kenny  
Executive Officer  
Air Resources Board  
P.O. Box 2815  
Sacramento, California 95814

Ms. Ursula Kramer  
Director  
Division of Air Quality  
Utah Department of Environmental Quality  
150 North 1950 West  
Salt Lake City, Utah 84114 - 4820



Ms. Miriam Lev-On  
ARCO Senior Advisor  
Environment, Health & Safety  
333 South Hope Street  
Los Angeles, California 90071

Mr. William Lewis  
Morgan, Lewis & Bockius LLP  
1800 M Street NW  
Washington, DC 20036

Mr. Ralph Marquez  
Commissioner  
Texas Natural Resource Conservation Commission  
P.O. Box 13087  
Austin, Texas 78711-3087

Mr. Tim Mohin  
Corporate Environmental Manager  
INTEL - Mail Stop CH10-22  
145 South 79th Street  
Chandler, Arizona 85226

Mr. Jeffrey Muffat  
Senior Regulatory Specialist  
3M Corporation  
P.O. Box 33331 (42-2E-27)  
St. Paul, Minnesota 55133

Ms. Elsie Munsell  
Deputy Assistant Secretary of the Navy  
Environment and Safety  
1000 Navy Pentagon  
Washington, DC 20350-1000

Ms. Jane Nishida  
Secretary  
Maryland Department of Environment  
2500 Broening Highway  
Baltimore, Maryland 21224

Mr. Steve Owens  
Senior Counsel  
Muchmore & Wallwork  
2700 North Central Avenue - Suite 1225  
Phoenix, Arizona 85004-1165

Mr. Mark Owens  
Director  
Occupational Health & Safety and Environmental Affairs  
Eli Lilly and Company  
Lilly Corporate Center D.C. 1013  
Indianapolis, Indiana 46285

Mr. Vicki L. Patton  
Environmental Defense Fund  
Rocky Mountain Office  
1405 Arapahoe Avenue  
Boulder, Colorado 80302

Mr. John Paul  
Supervisor  
Regional Air Pollution Control Agency  
P.O. Box 972  
Dayton, Ohio 45422-1280

Ms. Helen Petrauskas  
Vice President  
Environmental and Safety Engineering  
Ford Motor Company  
P.O. Box 1899  
Dearborn, Michigan 48121-1899

Mr. Walter Quanstrom  
Group Vice President  
Health, Safety and the Environment  
BPAmoco p.i.c.  
Britannic House  
1 Finsbury Circus  
London EC2M 7BA

Mr. Patrick Rahe  
Hogan & Hartson, L.L.P.  
555 13th Street, N.W.  
Washington, DC 20004

Mr. William Rosenberg  
President  
E3 Ventures, Inc.  
1140 Kildaire Farm Road - Suite 304  
Cary, North Carolina 27511

Mr. William Shapiro  
Director  
Regulatory Compliance & Environmental Affairs  
Volvo Cars of North America  
15 Volvo Drive - Building D  
Rockleigh, New Jersey 07647-0913

Ms. Sharon H. Kneiss  
Vice President, Regulatory Affairs  
American Forest and Paper Association  
1111 Nineteenth Street, NW - Suite 800  
Washington, DC 20036

Mr. Bruce Stram  
Vice President  
Enron Capital & Trade Resources  
Enron Corporation  
1400 Smith Street - EB2517  
Houston, Texas 77002

Mr. William Sugar  
Senior Director  
Corporate Environmental Affairs  
Anheuser-Busch Companies  
One Busch Place  
St. Louis, Missouri 63118-1852

Mr. William Tyndall  
Vice President  
Environmental Services  
Cinergy Corporation  
P.O. Box 960  
Cincinnati, Ohio 45202

Ms. Christine Vujovoch - Mail Code 60616  
 Vice President, Worldwide Marketing  
 Bus, Light Commercial Automotive  
 and Environmental Management  
 Cummins Engine Company  
 P.O. Box 3005  
 Columbus, Indiana 47202-3005

Mr. Richard Wilson  
 Vice President  
 National Environmental Strategies  
 2600 Virginia Avenue, NW - Suite 600  
 Washington, DC 20037

Mr. Edward Wolynic  
 Vice President, Strategic Technologies  
 Engelhard Corporation  
 101 Wood Avenue  
 Iselin, New Jersey 08830-0770

Mr. Michael Wright  
 Director, Health Safety and Environment  
 United Steelworkers of America  
 5 Gateway Center Room 902  
 Pittsburgh, Pennsylvania 15222

Mr. Robert Wyman  
 Latham and Watkins  
 633 West 5th Street  
 Los Angeles, California 90071

EPA Ms. Karen Brown, EPA Small Business Ombudsman  
 EPA Ms. Deb Elmore, OAQPS Small Business contact  
 EPA Mr. Paul Rasmussen, CAAAC DFO  
 EPA Mr. Bob Rose, EPA Small Business Office  
 NEJAC Ms. Vernice Miller  
 NESCAUM Mr. Jason Grumet, 129 Portland St., Suite 501, Boston, MA 02114

Other

(unknown) City of Chicago  
 Dept.of Environment  
 30 North LaSalle Street - Suite 2500  
 Chicago, Illinois 60602

Mr. Jim Campbell  
City of San Antonio  
P. O. Box 839966  
San Antonio, Texas 78283-3966

Mr. Barry Wallerstein (Chang, Elaine)  
South Coast AQMD  
21865 East Copley Drive  
Diamond Bar, California 91765

Ms. Lily Wells  
Houston-Galveston Area Council  
P.O. Box 22777  
Houston, Texas 77227

Mr. Kevin Bromberg  
U.S. Small Business Administration

Mr. Russell Batson  
American Furniture Manufacturing Association

Ms. Mary Bernhard  
Chemical Manufacturers Association

Mr. Bernard Brill  
Secondary Materials & Recycled Textile Association

Mr. Dimitri G. (Jim) Daskal  
National Coalition of Petroleum Retailers

Mr. John Difazio  
Chemical Specialties Mfrs. Assn.

Ms. Marian Dolbear  
Uniform & Textile Service Association

Mr. Edward Ferguson  
Battery Council International

Ms. Julie Flemming  
American Textile Manufacturers Institute

Ms. Marlae Fry  
Society of the Plastics Industry

Mr. Thomas Graves  
National Paint & Coating Assn.

Mr. Mike Heyl  
Synthetic Organic Chemistry Manufacturers Assn.

Mr. Marc Himmelstein  
National Environment Strategy

Mr. John Huber  
Petroleum Marketers Association

Ms. Marci Kinter  
Screen Printing  
Graphics & Imaging Association International

Mr. Bill Kovac  
U.S. Chamber of Commerce

Mr. Jeffrey Leiter  
Collier Shannon Rill & Scott

Ms. Megan Medley  
Non-Ferrous Founders' Society

Mr. George Parris  
American Wood Preservers Institute

Mr. Christian Richter  
National Association of Metal Finishers

Mr. John Satagaj  
Small Business Legislative Council

Ms. Mary Scalco  
International Fabricare Institute

Ms. Mary K. Thatcher  
American Farm Bureau

Mr. David Trimble  
Textile Rental Services Assn.

Mr. Tom Tyler, Tom  
Institute of Scrap Recycling Industries, Inc.

Mr. Ted Waugh  
Chemical Producers & Distributors Association

Mr. Bill Wemhoff  
American Public Power Association

Mr. John Noller  
MO DNR  
PO Box 176  
Jefferson City, Missouri

Mr. Bill Grantham  
National Tribal Environmental Council (NTEC)